

More Allstate Fraud Against the Flood Insurance Program; Other Insurance Reform Articles

Another Rebecca Mowbray story on Allstate fraud against the flood insurance program;

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A.M. Best suggests \$6 gas after a major Gulf hurricane;

Texas has a wind pool crisis (When every coastal state has the same problem, it is a national problem);

Jimmy Carter's other statement: the high cost of insurance makes Habitat for Humanity homes unaffordable;

Allstate might still offer fire coverage if all the trees in the West are cut down;

It is Hawaii's turn to be frightened by computer models;

The guys who make the real money on insurance keep moving operations to Bermuda.

Inflated flood claim turns up at trial: Allstate contents list is news to owners - Rebecca Mowbray, New Orleans Times Picayune

Fishing poles

and fancy furs weren't the issues at trial. Instead, Merryl and Robert Weiss had gone to court to fight the contention by their insurer, Allstate, that they were entitled to only a pittance under their homeowner policy because flooding, not wind, was largely responsible for the destruction of their home on Slidell's Treasure Isle. But about a month before trial, Merryl Weiss realized there was something wrong with the payment for household contents that they had received on their obliterated Slidell home. In making the claim under their taxpayer-subsidized National Flood Insurance policy, Weiss had given Allstate a handwritten list of belongings from the ground floor of the three-story house -- most of it rods, reels and other gear owned by her husband, a retired doctor who is a die-hard sport fisherman with a charter boat license. She valued the lost contents at \$38,848.35. But as documents were being flashed in front of her for identification,

Weiss was shown a typed property-loss worksheet totaling \$139,562. The inventory listed a formal living room, dining room, kitchen, living room/great room/game room, an office, a foyer, bathrooms, five bedrooms, a garage/shed, utility room, clothes, miscellaneous items and categories labeled "DVDs/VCRs/records" and "jewelry, furs, memorabilia, etc."

Weiss didn't generate the list, and never submitted a contents list for the upstairs rooms of the home to Allstate before the flood contents check was cut. Indeed, she said she doesn't own any furs. But Allstate submitted the bill to the National Flood Insurance program, which paid the policy's limit of \$100,000 for contents after depreciation and a deductible were taken out.

U.S. Hurricane Catastrophe Review--One Blow Away From \$6 Gas - A.M. Best Special Report

A well-aimed hurricane in the Gulf of Mexico could couple staggering insured catastrophe losses with severe economic disruptions as the storm tears through the dense, onshore and offshore infrastructure of the region's all-important petroleum industry. Hurricanes Katrina and Rita gave a taste of the possibilities in 2005. Now, forecasts for the upcoming season suggest the quiet passage of 2006 may have been a greater aberration than was the mayhem of 2005, given current, long-term atmospheric trends. The impact of a possible mega-catastrophe in the Houston area would include financial stress for certain property/casualty insurers, particularly those companies with a Vulnerable Best's Rating (B and below) and some insurers without a Best's Rating, according to a new special report from A.M. Best Co. Also, disruption to the energy markets and prices could roil the financial markets and dampen the economy, with mixed implications for the broad insurance industry.

The 2007 annual hurricane catastrophe review looks at the potential impact of a mega-hurricane hitting the Galveston/Houston area. Beyond the scope of potential human and property losses are significant risks to the U.S. and global economy and financial markets from damage to U.S. energy facilities. Leading catastrophe modelers-AIR Worldwide Corp., EQECAT Inc. and Risk Management Solutions Inc.-provided A.M. Best with simulated insured losses or background material on how a potential hurricane could affect the Gulf and surrounding energy infrastructure. The two Category 5 hurricanes modeled by AIR could produce insured losses of \$120 billion. The Category 5 hurricane modeled by RMS yielded estimated insured losses of \$163.2 billion, including \$12.2 billion of offshore platform industry damage, not accounting for limits and deductibles. EQECAT provided a storm intensity map of the actual 1900 Galveston Hurricane, which is estimated to have made landfall as a Category 4. With caveats as to the limited availability of insurance coverage data from captive insurers along the Houston Ship Channel, EQECAT estimates that a replay of the 1900 catastrophe would generate roughly \$25 billion to \$30 billion of insured losses in today's

environment.

Texas

Windstorm Pool needs strengthening: The potential exposure if a Katrina-size hurricane slammed into the coast would overwhelm the pool's reserves - Editorial, Corpus Christi Caller-Times

Hurricanes

strike the Texas coast, but the impact is statewide. That's a fact that Texas inland residents have a difficult time understanding when skies are clear. But the point becomes clearer when fuel supplies become scarce because coastal refineries have been knocked out of commission by a storm. Or when economies far from the coast are thrown for a loop because Texas ports are brought to a standstill because of a hurricane. The rest of the state is at risk if the Texas coast doesn't have the means to recover quickly from a storm, which is why it's imperative that a House bill, HB 2960, now moving through the Senate, that would bolster the reserves of the insurer of last resort for coastal properties, recognize that hurricanes are not just a coastal problem.

The Texas

Windstorm Insurance pool was created by the Legislature to provide windstorm insurance in the state's 14 coastal counties if private insurers won't write a policy. About 46 percent of all Nueces County residences are covered by the pool.

Windstorm reform on the horizon? - Mark Collette, Galveston Daily News

It's crunch time

in Austin. The legislative session ends May 28. Thousands of bills have been filed, and most will be long forgotten after Memorial Day. Here's a look at where some local bills stand. Just after the session ends, hurricane season begins. Rep. Craig Eiland, D-Galveston, said he's now fairly confident that some sort of reform of the state's windstorm insurance pool will make it into law by the end of the session. Last week, the Senate fast-tracked its version of the bill through the committee process. Now, the Senate and House will have to hammer out a compromise between their two very different bills. The pool provides a backup for people in coastal areas who can't get windstorm coverage through private insurers. Private companies have left the insurance market left and right after devastating storms. Critics say the state-run pool has been too heavily influenced by insurers who sit on the board.

Carter: Insurance Costs Hurt Rebuilding Efforts - WDSU-TV

VIOLET, La. --

Former President Jimmy Carter said the insurance crisis along the Gulf Coast is wiping out much of the benefit that humanitarian organizations are trying to provide. Carter said the federal government has to take the lead in making homeowners insurance more affordable along the Gulf Coast. Carter was in Violet Monday at the construction site of two new houses being built by Habitat for Humanity. Wearing a hard hat, a red handkerchief around his neck and tool belt with a hammer, Carter spent some time helping out on the construction site and also toured the area. Habitat for Humanity has built 1,000 homes in the region within the past 20 months. It plans to build about 2,600 more during the next few years.

Carter echoed the frustration of numerous residents in the area who've seen insurance rates skyrocket. He said the typical interest-free, 30-year mortgage payment for the homes runs about \$220 a month, but insurance premiums can triple the cost.

Allstate may ask you to remove fire hazards: Company inspects homes in high-risk areas, angering some homeowners and watchdog groups - Joe Estrella, Idaho Statesman

At least one of Idaho's largest insurance carriers is now considering how "defendable" a home is against wildfire before agreeing to insure it.

Spooked by devastating wildfire seasons, Allstate and other top insurers are inspecting homes in high-risk areas throughout the West and threatening to cancel coverage if owners don't clear brush or take other precautions.

Nationally, the inspections have angered homeowners and watchdog groups that accuse the companies of trying to cut risk at the expense of customers, even while industry profits soar. The complaints echo concerns raised after Hurricane Katrina, when many insurance companies increased rates or dropped policies along the Gulf Coast.

"It certainly isn't fair for these insurers to be dumping these last-minute requirements on homeowners," said Carmen Balber of The Foundation for Taxpayer & Consumer Rights. "It does make sense to require

homeowners to take reasonable precautions, but some of the excessive demands that we've heard from homeowners are over the top," she said. The requirements can range from clearing brush to cutting down trees or even installing a fireproof roof.

Homeowners get fired up for fire season - Editorial, University of Washington Daily

With the fire season having already arrived in parts of the country and quickly approaching the Northwest, many homeowners are starting to think about how to protect their home for the season. However, they're not the only ones worried. A recent Seattle Times article reported that major insurance companies in the nation are threatening to cancel coverage if owners don't clear brush, cut down trees or take other precautions against fires. In response, homeowners are upset that these demands are coming at the last minute and seem excessive.

Though most college students aren't yet homeowners, students can learn a couple lessons from this debate. Many are not aware of the danger of forest fires until they are directly affected. According to the Times article, catastrophic fires (including wildfires) caused \$6.4 billion in insured losses between 1986 and 2005.

72 dead, \$25B damage if big storm hit O'ahu - Dan Nakaso, Honolulu Advertiser

A new computer model designed for an annual statewide hurricane preparedness exercise showed that a fictitious Category 4 hurricane that makes landfall at Pearl Harbor, Honolulu International Airport and parts of downtown Honolulu would cause at least \$25 billion in damage - mostly on O'ahu - and 72 deaths around the Islands. Officials stress that the exercise, dubbed Makani Pahili - Hawaiian for "hurricane" - does not predict that the storm will actually form and was used only to test communications and other plans for a worst-case scenario.

But the May 11 to 18 exercise was part of the annual preparations for hurricane season, which runs from June through November. After the exercise, the National Oceanic and Atmospheric Administration announced its forecast of two to three tropical depressions, tropical storms or hurricanes forming in the Central Pacific this year.

Lockton Launches Bermuda Operation - Insurance Journal

International

broker and risk management services provider Lockton has launched operations in Bermuda, which will "give its global clients and associates direct access to risk capital." The new office will focus on property, energy, financial lines, casualty and healthcare. Ed Correia has been appointed to lead the development of the new business, together with Philip DiMeglio formerly of JLT Risk Solutions and William Lowe from Aon, who join as producers.

Lockton

International, Global Risks Chairman Paul Jack, commented: "Bermuda has been a magnet for insurance capital since the losses of 9/11 and more recently the 2005 hurricane season. As we develop our global foot print we felt it was essential to provide our clients with direct access to this important market."